



Changes in Student Fee Levels in California's Public Postsecondary Education Systems

Changes in the level and use of student fees include the following:

- ♦ *California public universities have increased student fees dramatically over the past 15 years. Still, they are among the lowest when compared with other states;*
- ♦ *California Community College fees have increased very modestly and remain much lower than any other state; and*
- ♦ *Public university students are funding an increasingly larger proportion of the cost of their instruction – 23% at the California State University and 30% at the University of California.*

Overview

Since the late 1960s, the levels of mandatory student charges (nonresident tuition and resident student fees) have increased significantly in California's three public postsecondary education systems. While student fees were modest in the 1960s, the percentage increases over the past two decades have been substantial. Revenues from fees have become an integral part of each system's funding. This evolution has been due, in part, to the need for additional non-public resources; but it also demonstrates a change in the view of funding responsibility for college, one that now involves an expectation that students and their families will share a greater proportion of the cost of education.

California's resident student fees remain low in comparison to student charges in most other large states. The additional fee revenues have helped fund the growth and improvement of higher education, with benefits to college graduates that are many times greater than their student fee investments. Over the past twenty years, 20 – 33% of student fee revenues have been distributed to needy students in the form of institutional financial aid.

Student Charges in California

Display 1 shows changes in the levels of "Total" resident student fees in both current and "constant" fiscal year 2004-05 dollars. Student charges have grown substantially since the mid-1960s for the California State University (CSU) and the University of California (UC). Increases in student fees in the California Community Colleges (CCC) have

been more modest over this time. For all three public systems, however, good economic times bring periods of stable fees, followed by large fee increases during California's economic downturns. The cumulative effect of these "boom and bust" cycles has been an increase in student fee levels over the past 15 years.

Student Charges in Other States

It is impossible to compare California's rate of fee increases for its three public systems with other states over a long period of time, for two reasons: (1) every state's higher education structure is organized differently with regard to different type and mission of the states' colleges and universities; and (2) longitudinal information about fees is unavailable or insufficient in many cases. Information about public institutions that are comparable to UC is available. Display 2 below presents summary information about public flagship universities in nine other large states that are often compared with California. It shows that, although the rate of fee increases for California since 1968 is relatively high, the actual fee students paid at UC in the year 2003-04 (Display 1) was lower than all but one of the States shown below. Fees at the State University are also low in comparison to other states, and fees at the California Community Colleges are much lower than any other state.

DISPLAY 1 Actual and Constant 2004-05 Dollar UC, CSU, CCC "Total" Fees

Year	UC Total Fees		CSU Total Fees		CCC St. Enrlm't Fee	
	<u>Actual</u>	<u>Constant</u>	<u>Actual</u>	<u>Constant</u>	<u>Actual</u>	<u>Constant</u>
1965-66	\$245	\$1,903	\$105	\$816	--	--
1970-71	487	2,854	161	944	--	--
1975-76	647	2,758	194	827	--	--
1980-81	776	2,318	226	675	--	--
1985-86	1,326	2,770	666	1,392	\$100	\$209
1990-91	1,820	2,992	920	1,513	100	164
1995-96	4,139	5,700	1,891	2,604	390	537
2000-01	3,964	4,661	1,839	2,162	330	388
2001-02	3,859	4,326	1,876	2,103	330	370
2002-03	4,017	4,325	2,005	2,159	330	355
2003-04	5,530	5,788	2,572	2,692	540	565
2004-05	6,312	6,312	2,800	2,800	780	780
39-year:						
\$ change	\$6,067	\$4,409	\$2,695	\$1,984	\$680	\$571
% change	2,476%	232%	2,567%	243%	680%	273%

Information for 2004-05 are **ESTIMATES**, based on the Final 2004-05 Budget.
Total Fees = Mandatory systemwide and campus-based charges.
Source: *Fiscal Profiles, 2004 (CPEC)*.

DISPLAY 2 Average Total Fees in Public Flagship University Systems in Nine Large States (in actual dollars)

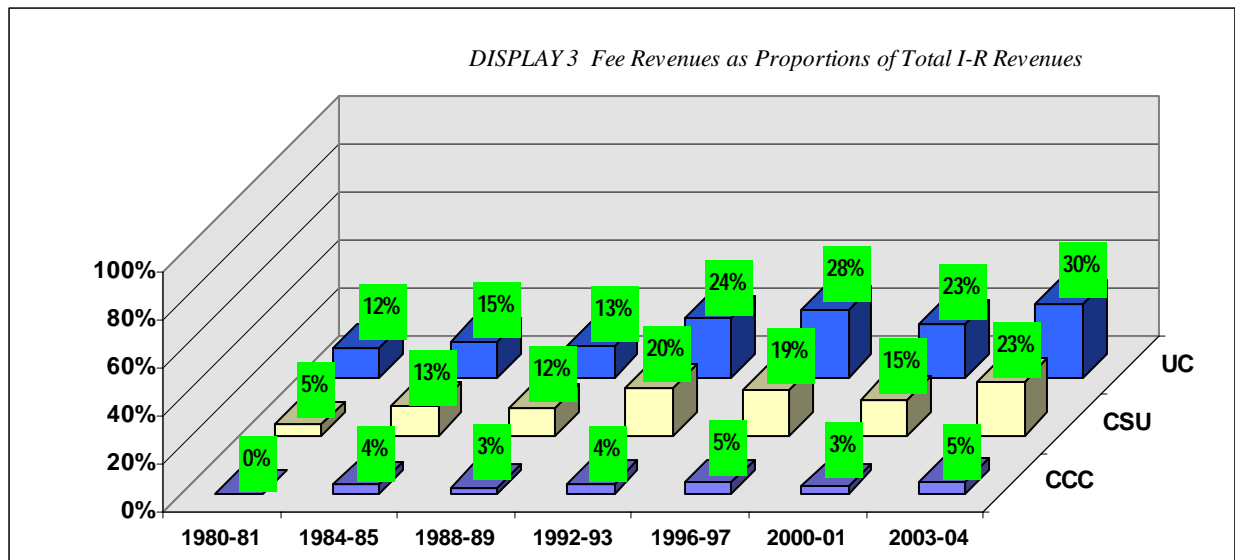
Year	Florida	Illinois	Mass.	Michigan	N Jersey	N York	Ohio	Penn.	Texas
1968-69	\$375	\$282	\$360	\$480	\$528	\$400	\$495	\$525	\$177
1972-73	570	686	469	696	665	815	750	885	267
1977-78	709	814	770	1,078	963	892	915	1,263	378
1982-83	795	1,302	1,545	2,144	1,678	1,150	1,458	2,118	452
1987-88	1,108	2,365	2,006	2,828	2,573	1,474	1,890	3,292	876
1992-93	1,706	3,458	5,062	4,584	4,040	3,073	2,799	4,618	1,420
1997-98	1,994	4,406	5,332	5,878	5,333	4,340	3,660	5,832	3,279
2000-01	2,348	4,994	5,212	6,513	6,333	4,715	4,383	6,852	3,800
2001-02	2,444	5,754	4,212	6,935	6,655	4,815	4,788	7,396	4,266
2002-03	2,581	6,704	6,482	7,485	7,308	4,850	5,454	8,382	5,340
2003-04	2,781	7,010	7,482	7,975	7,927	5,861	6,412	9,206	5,744
35-year:									
\$ change	\$2,406	\$6,728	\$7,122	\$7,495	\$7,399	\$5,461	\$5,917	\$8,681	\$5,567
% change	642%	2,386%	1,978%	1,561%	1,401%	1,365%	1,195%	1,654%	3,145%

Total Fees = Mandatory resident undergraduate tuition and/or fees for public university systems.
Source: *Washington State Tuition and Fee Report, Washington H.E.C. Board, January 2004.*

Since 1965-66, the United States Consumer Price Index has risen only 495%, while the Higher Education Price Index (a measure of increases in costs paid by colleges and universities) has risen 677%, and California per-capita (per person) personal income has risen 840%.

Fee Revenues as a Percentage of Cost of Instruction

Each public college or university system in California uses fee revenues to help fund its operations. The main component of operations is the “cost of instruction.” Cost of instruction is measured in terms of average appropriations for instructional-related activities (I-R).



Display 3 presents revenues generated through resident undergraduate systemwide student fees in the CCCs, the CSU, and UC as a percentage of each system’s total I-R revenues over the past 24 years. This proportion has changed little in the CCCs since the introduction of systemwide resident student fees in the mid-1980s, ranging from 3 – 5%. For both the CSU and the UC, however, the student revenue proportions have increased significantly since 1980-81. In the CSU, student-generated revenues now represent nearly a quarter of their total I-R revenues; for UC this proportion is 30%.

State Policies on Student Charges

Student fees in California are set differently in each system. The University of California’s Board of Regents maintains the power to set its fee (and nonresident tuition) levels to best meet its needs; however this is usually done in consultation with the Governor and the Legislature. The California State University Board of Trustees and the Board of Governors of the California Community Colleges abide by decisions of the State Legislature and the Governor in the setting of fees; however the Legislature and Governor often ratify decisions initially proposed by the CSU Trustees.

In 1985, the Legislature and the Governor enacted SB 195, a long-term policy on student fees designed to ensure that changes in CSU and UC fees would be reasonable. The policy called for the State to bear the primary responsibility for the cost of higher education and for students to pay a portion of the costs. SB 195 stipulated that any increases in fees be no more than 10% in any one year, that they be “gradual, moderate, and predictable,” and that they be announced at least ten months in advance of taking effect.

That legislation had other provisions that dealt with factors to be included in the fee adjustment calculation. This fee policy, which expired in the mid-1990s, was designed to help families better plan for the cost of a postsecondary education. However, changes in the last ten years in student charges have tended to be driven more by the economic circumstances of the State than by a consistent fee policy.

The Commission has recommended that the State once again adopt long-term policies on fee levels for the State's public postsecondary systems. In 2002, the Commission adopted a set of policy principles to guide the setting of fees. They are:

- ♦ The total cost to the student of attending the university should be considered in setting fee levels;
- ♦ Changes in student fee levels should be gradual, moderate and predictable;
- ♦ Available State General Fund revenue should be considered when setting fee levels;
- ♦ The total cost of educating a student should be considered when setting fee levels;
- ♦ Changes in student fee levels should be mindful of families' ability to pay; and
- ♦ Students and their families should be provided with timely information about available financial aid.

Some of these principles have been adopted by the Governors and the Legislature over the years, however they have not been implemented as State policy that would guide decisions on student fee levels over time.

Summary

In the 1960's, resident student charges at California's two public university systems were modest and were substantially lower than those in most comparable states. Although fees have increased dramatically over the past 15 years, they are still among the lowest when compared with other states. Despite recent increases in community college fees, they remained lower than any other state.

California public college and university students are funding an increasingly larger proportion of the cost of their instruction. Revenues from student charges have become an integral part of higher education funding.



Student Financial Aid in California Postsecondary Education

California student financial aid is increasing significantly:

- ♦ *In 2002-03, California students received over \$8 billion in financial aid;*
- ♦ *Financial aid funding increased by over 30%, from \$5.9 billion in 1998-99 to \$8.1 billion in 2002-03;*
- ♦ *Over half of all financial aid comes from the federal government in the form of loans;*
- ♦ *The Cal Grant Program accounts for about 7% of total funding;*
- ♦ *Institutional support totals almost three times the level of funding for the Cal Grant Program.*

Student Financial Aid Programs

California students, at both the undergraduate and graduate level, may qualify for a variety of financial aid programs, including the State's Cal Grant program, the federal Pell Grant program, federal student loan programs, the federal and state work study programs, and various institutional aid programs to assist with college expenses. Each of these programs has its own focus and guidelines and application processes but most share a common entry point: that students complete a Free Application for Federal Student Aid (FAFSA) in order to be considered for financial aid.

While the state's Cal Grant program represents a significant proportion of grant aid available to Californians, federal aid policy has a far greater impact on California college and university students overall. Through grants and loans, the federal government accounts for more than 70% of the aid dispersed in the state. Various financial aid programs are available to students in California.

- ♦ The **Cal Grant Program** is the single largest state-funded program of postsecondary financial aid in the United States. Initiated in 1955, it now encompasses three major award types and provided \$750 million in awards to about 200,000 recipients for the 2004-05 fiscal year.
- ♦ Most institutions operate **Institution-Based Financial Aid Programs** of grant, scholarship, work-study and loan programs as well as tuition payment plans. For example, more than 41,000 University of California (UC) undergraduates received a UC grant during the 2002-03 academic year, and over 46,000 undergraduates received a UC grant, a UC scholarship, or both.

The California State University (CSU) offers “State University Grants,” a program that provides need-based grant assistance to California residents. For the neediest students not receiving a Cal Grant, the State University Grant covers at least the full amount of the statewide fee. The California Community Colleges (CCC) offer the “Board of Governors’ Enrollment Fee Waiver,” or BOG Fee Waiver program. This program waives the system’s State Enrollment Fee for California resident students who meet income and eligibility criteria.

There are other institutionally based financial aid programs as well. Chief among them, the Equal Opportunity Program (EOP) at CSU and UC campuses provides grants, counseling and tutorial services to low-income and educationally disadvantaged undergraduate students. The Extended Opportunity Programs and Services (EOPS) is a similar program offered by community colleges.

- ♦ The **California Work-Study Program** offers eligible students enrolled at selected public and independent postsecondary institutions the opportunity to earn money to help pay for their education while gaining valuable work experience. This program has not been funded since the 2002-03 fiscal year.
- ♦ There are several other **specifically targeted student financial aid programs**. These include the Governor’s Scholarships, the Child Development Teacher Grant Program, the Law Enforcement Personnel Dependents Grant Program, the Robert C. Byrd Honors Scholarship Program, the Assumption Program of Loans for Education, and the Graduate Assumption Program of Loans for Education.
- ♦ The U.S government’s **Federal Stafford Loans** represent the largest source of federal student aid. More than one-in-three college students nationally takes out a federal loan for college. These loans are available for undergraduate, graduate, career, and professional students. There are two types of Stafford loans: subsidized, for which the government pays the interest for a period of time; and unsubsidized, for which students pay all the interest on the loan. These loans are offered through the Federal Family Education Loan (FFEL) Program and the William D. Ford Direct Student Loan (FDSL) Program.
- ♦ The U.S government’s **Federal Pell Grant Program** is the largest source of grant aid offered from the federal government. Pell Grants are need-based (no repayment) and are awarded to every undergraduate student who qualifies. Pell Grants can be used for tuition, fees and living expenses,
- ♦ **Federal Perkins Loans** are low-interest loans for both undergraduate and graduate students with exceptional financial need. Students can borrow up to \$4,000 for each year of undergraduate study and up to \$6,000 per year if they are graduate students. With these loans, the college is the lender and awards the loan funds. Students pay no interest on their loan while enrolled, but must begin repaying their loan nine months after graduating, leaving school or enrolling less than half time. Depending on the amount borrowed, students have up to ten years to repay Perkins loans.
- ♦ **The Federal Work-Study Program** is a job assistance program used by institutions as part of the overall financial aid package. Institutions help students find part-time employment on or off campus, preferably in work related to their studies or career plans, or in community service.
- ♦ **Federal PLUS loans** are loans for parents or guardians who need to borrow for their child’s undergraduate education.
- ♦ **Federal Supplemental Educational Opportunity Grants** are between \$100 and \$4,000 per year and are awarded by institutions to undergraduate students with exceptional financial need, with priority given to Pell Grant recipients.

Display 1 summarizes undergraduate and graduate student financial aid programs by source, funding, and proportion of overall financial aid resources for the most recent five years of data available. The data show that the overall amount of student financial aid has grown by over \$2 billion in five years and that federal loans continue to account for more than half of this aid.

DISPLAY 1 Student Financial Aid Programs in California (dollars in millions)

Program	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Amount	%age	Amount	%age	Amount	%age	Amount	%age	Amount	%age
FFEL & FDSL	\$3,270.8	55%	\$3,420.3	54%	\$3,594.4	53%	\$3,750.6	51%	\$4,099.6	51%
Pell Grants	883.7	15%	900.2	14%	1,009.0	15%	1,181.0	16%	1,312.3	16%
Other Federal	114.9	2%	111.0	2%	122.3	2%	137.9	2%	139.0	2%
Fed Work-Study	81.2	1%	85.2	1%	98.9	1%	113.8	2%	115.6	1%
Fed Perkins Loans	54.9	1%	10.2	0%	52.2	1%	59.1	1%	77.4	1%
Cal Grants	323.8	5%	369.4	6%	452.6	7%	512.9	7%	544.9	7%
Other State Aid	159.5	3%	148.7	2%	175.3	3%	176.6	2%	234.3	3%
State Work Study	2.3	0%	1.9	0%	3.8	0%	4.7	0%	4.7	0%
Institutional Aid	1,054.4	18%	1,196.2	19%	1,215.3	18%	1,308.6	18%	1,464.8	18%
Other Aid	51.4	1%	61.4	1%	70.8	1%	99.0	1%	121.0	1%
Total	\$5,996.9	100%	\$6,304.5	100%	\$6,794.6	100%	\$7,344.2	100%	\$8,113.6	100%

Source: California Student Aid Commission, Factsheets 1998-99 - 2002-03.

The State Cal Grant Program

The State of California, through the California Student Aid Commission (CSAC), will provide about \$750 million in direct grant financial aid in 2004-05 through its Cal Grant Program. Display 2 on the next page shows total funding and grant recipients for the State's Cal Grant financial aid programs.

These data show that funding has increased greatly over the decades. The three columns on the far right of the chart track changes in the numbers of authorized Cal Grant awards over time. Of note is the large increase in the number of awards during the 1970s as well as a doubling of awards over the past five years.

Given the large increases in the numbers of Californians attending the State's public and independent postsecondary institutions, the rate of growth in funding and financial aid awards is hardly surprising. Between 1968 and 2004, California public postsecondary enrollment grew from fewer than 1 million students to more than 2.3 million.

DISPLAY 2 Cal Grant Financial Aid Program Total Funding and Awards Over Time, with Annual Changes in the Number of New Awards

Fiscal Year	St. Gen'l Funds	Percent Change	TOTAL Funds	Percent Change	Total Awards	Percent Change	Number Change
1968-69	\$7,486	--	\$7,486	--	10,467	--	--
1973-74	32,364	332%	32,364	332%	32,665	212%	22,198
1978-79	64,562	99	74,798	131	59,957	84	27,292
1983-84	71,623	11	80,960	8	62,639	4	2,682
1988-89	117,873	65	129,064	59	73,447	17	10,808
1993-94	202,804	72	213,990	66	79,426	8	5,979
1998-99	327,375	61	331,599	55	98,456	24	19,030
1999-00	368,220	12	372,144	12	108,767	10	10,311
2000-01	455,054	24	461,506	24	129,530	19	20,763
2001-02	503,396	11	512,876	11	166,935	29	37,405
2002-03	533,861	6	544,947	6	190,404	14	23,469
2003-04	644,184	21	654,405	20	200,088	5	9,684
2004-05	746,218	16	758,800	16	--	--	--
Overall % Change:		9,868%		10,036%		1,812%	189,621

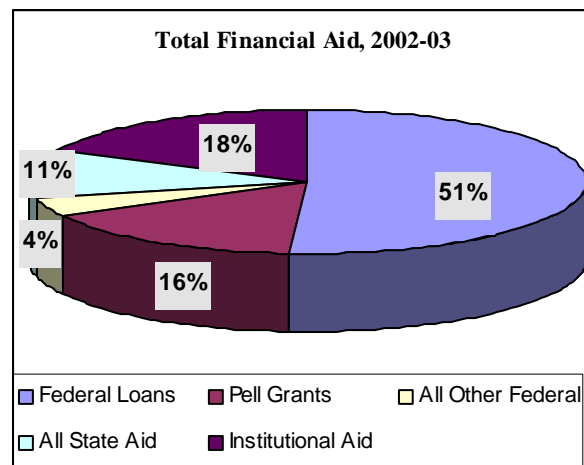
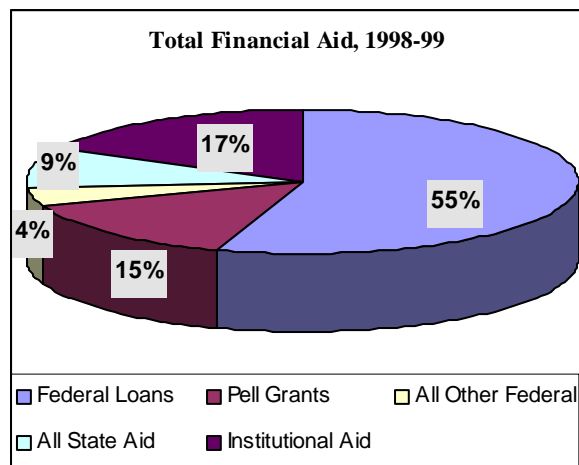
Total Funds includes federal funds for the Cal Grant Program.

Dollar amounts are in thousands; fiscal year 2004-05 data are budget estimates.

Source: CPEC, [Fiscal Profiles 2004](#).

The Total Perspective

While the Cal Grant program is a very important source of aid to California college students, the other student aid programs described earlier play a much larger role. The charts below present a picture for fiscal years 1998-99 and 2002-03. The Cal Grant program is included in "All State Aid."



These data show a small decrease in overall federal loans as a percentage of financial aid in California through 2002-03 and an increase in institutional aid as a proportion of the total, with Pell grants and State Aid also increasing slightly.